



STATE OF NEW JERSEY

Board of Public Utilities

Two Gateway Center

Newark, NJ 07102

www.bpu.state.nj.us

WATER AND WASTEWATER

IN THE MATTER OF ROXBURY WATER)
COMPANY FOR APPROVAL OF AN)
INCREASE IN RATES FOR WATER)
SERVICE)

ORDER ADOPTING INITIAL
DECISION/SETTLEMENT

BPU DOCKET NO. WR03110904
OAL DOCKET NO. PUC11648-2003N

IN THE MATTER OF ROXBURY WATER)
COMPANY FOR AUTHORITY TO ENTER)
INTER CERTAIN FINANCING)
ARRANGEMENTS)

BPU DOCKET NO. WF03110903

(SERVICE LIST ATTACHED)

BY THE BOARD:

On November 14, 2003, pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:1-5.12, Roxbury Water Company, (Roxbury or Company) a public utility of the State of New Jersey filed a petition with the Board of Public Utilities (Board) seeking approval of an increase in rates and charges for water service.

Roxbury Water serves approximately 3,690 customers in portions of the Township of Roxbury, in Morris County, New Jersey. The Company's rate request would have resulted in an increase in total Company revenues of \$362,175 or 27.8% over annual pro forma present revenues for the period ending June 30, 2004.

After extensive settlement discussions between the Company, the Ratepayer Advocate (RPA) and Board Staff (Staff), an increase of \$191,130 representing a 15% increase over current rates was agreed to and is approved herein by this Order.

Roxbury simultaneously filed a Petition for authority to enter into certain financing arrangements (Docket No. WF01130903) in order to effectuate its capital construction program. Roxbury requested that this petition, as well as, the rate petition be considered simultaneously and subsequently approved by the Board.

PROCEDURAL HISTORY

On December 3, 2004, the base rate proceeding was transferred to the Office of Administrative Law (OAL) where it was assigned to Administrative Law Judge (ALJ) Irene Jones. A pre-hearing conference was conducted by ALJ Jones on March 24, 2004.

A public hearing was held on April 12, 2004, at the Roxbury Senior Center, located in Roxbury Township. No members of the public appeared.

Subsequent to the public hearing, the Parties consisting of the Company, the RPA and Staff engaged in settlement negotiations. There were no intervenors to this case. The Parties reached a settlement on all issues (Stipulation or Settlement).

ALJ Jones issued her Initial Decision on May 17, 2004, recommending adoption of the Stipulation executed by the Parties, finding that the Parties had voluntarily agreed to the Settlement and that the Settlement fully disposes of all issues and was consistent with the law.

STIPULATION (Rates)

As more fully set forth in the attached Stipulation,¹ the Parties agreed that:

1. The Company's total rate base for purposes of this proceeding is agreed to be \$1,652,519 (Settlement paragraph 1).
2. The appropriate return on equity is agreed to be 9.75%. The Parties agreed that this return on equity should result in an appropriate overall rate of return of 8.48 % (Settlement paragraph 2).
3. Utilizing an overall rate of return of 8.48% would result in an overall additional revenue requirement of \$191,130 as indicated on Exhibit A. This amount was calculated as follows (Settlement paragraph 3):

Rate Base	\$1,652,519
Rate of Return	x 8.48%
Required Operating Income	\$ 140,144
Test Year Operating Income	31,737
Deficiency	\$ 108,407
Revenue Conversion Factor	x 1.7630854
Revenue Requirement	\$ 191,130

4. The Parties stipulated that a revenue increase of \$191,130, or 15% over current revenues, is an appropriate result of this matter. The Parties agree that this revenue requirement represents the level of revenue which is necessary to ensure that the Company will continue to provide safe, adequate, and proper water service to its customers (Settlement paragraph 4).
5. The Parties agreed that the attached tariffs (included as Exhibit B),

¹ Cited paragraphs references below are in the settlement document. This is only a summary, the full settlement document controls, subject to the Board's findings and conclusions contained herein.

implementing the terms of this Stipulation, should be adopted by the Board in their entirety (Settlement paragraph 5).

6. The Parties agreed that the Rate Design should reflect an across the board increase in the Company's rates of 15% for all services and classes of customers (Settlement paragraph 6).
7. The Parties agree that an integral part of this Stipulation is the Company's ongoing meter replacement program. The Company agrees that it will provide the Parties with a progress report in October 2004, as to the status of the completion of the replacement program, and will provide certification when the replacement program is completed but in no event later than December 31, 2004 (Settlement paragraph 7).

STIPULATION (Financing)

8. The Company filed a petition, in BPU Docket NO. WF03110903, seeking Board approval of certain loans necessary to fund the Company's capital investment program. Several of the principals of the Petitioner, through Roxbury Enterprises, LLC, have agreed to finance those loans at a 7.50% annual interest rate. Due to the Company's financial situation, it has been unable to finance these loans from third parties on reasonable terms without personal guarantees of one or more of the principals of the Petitioner. Therefore, several of the principals of the company have agreed to the above method of financing through Roxbury Enterprises, LLC (Settlement paragraph 8).
9. The Parties agreed to recommend that the Board grant the following: 1) *nunc pro tunc* approval of a previous loan to Roxbury Water Company from Roxbury Enterprises, LLC, rather than from John Grabovetz personally as previously authorized by the Board, in the amount of \$450,000 at an interest rate of 8.5% and a term of 10 years beginning on December 1, 2001, with final payment due on December 1, 2011; and 2) approval of a new loan to Roxbury Water Company from Roxbury Enterprises, LLC, for an amount up to \$600,000 at an annual interest rate of 7.50% for a term of 10 years (Settlement paragraph 9).

DISCUSSIONS AND FINDINGS

As a result of the Stipulation, a residential customer using 88,000 gallons of water per year will experience an increase from \$299.84 per year (\$74.96 per quarter) to \$344.80 per year (\$86.20 per quarter). This represents an annual increase of 14.99% or \$44.96 per year or \$11.24 per quarter.

The Board having reviewed ALJ Jones' Initial Decision and the Stipulation approved therein, FINDS that the Parties have voluntarily agreed to the Stipulation and that the Stipulation fully disposes of all issues in this proceeding and is consistent with the law. The Board FINDS the Stipulation to be reasonable and in the public interest. The Board HEREBY ADOPTS the Initial Decision and the Stipulation attached, hereto, as its own incorporating by reference the terms and conditions as if fully set forth at length herein, subject to the following:

- a) The Company's total rate base for purposes of this proceeding shall be \$1,652,519.

- b) The appropriate return on equity shall be 9.75%. This return on equity shall result in a rate of return of 8.48 %.
- c) Utilizing a rate of return of 8.48% shall result in an overall additional revenue requirement of \$191,130.
- d) A revenue increase of \$191,130 over current revenues represents the level of revenue which is necessary to ensure that the Company shall continue to provide safe, adequate, and proper water service to its customers.
- e) The tariff pages attached to the Stipulation are adopted by the Board.
- f) the rate design shall reflect an across the board increase in the Company's rates of 15% for all services and classes of customers.
- g) The Company shall provide the Parties with a progress report in October 2004, as to the status of the completion of the replacement program, and shall provide certification when the replacement program is completed. This information shall be provided no later than December 31, 2004.
- h) The Board APPROVES, the following loans identified in Docket No. WF03110903:
 - 1) the loan to Roxbury Water Company from Roxbury Enterprises, LLC, rather than from John Grabovetz personally as previously authorized by the Board, in the amount of \$450,000 at an interest rate of 8.50% and a term of 10 years beginning on December 1, 2001, with final payment due on December 1, 2011 on a nunc pro tunc basis; and
 - 2) approval of a new loan to Roxbury Water Company from Roxbury Enterprises, LLC, for an amount up to \$600,000 at an annual interest rate of 7.50% for a term of 10 years.

The effective date of this Order is as dated below.

DATED: **5/25/04**

BOARD OF PUBLIC UTILITIES
BY:

(SIGNED)

JEANNE M. FOX
PRESIDENT

(SIGNED)

FREDERICK F. BUTLER
COMMISSIONER

(SIGNED)

CAROL J. MURPHY
COMMISSIONER

(SIGNED)

CONNIE O. HUGHES
COMMISSIONER

(SIGNED)

JACK ALTER
COMMISSIONER

ATTEST:

(SIGNED)

KRISTI IZZO
SECRETARY

5BPU Docket No. WR03110904
BPU Docket No. WR03110903
OAL Docket No. PUCRS 11648-2003N

ROXBURY WATER COMPANY

BPU DOCKET NO. WR01010006
BPU DOCKET NO. WF03110903
OAL DOCKET NO. PUC1116-481

(SERVICE LIST)

Stephen B. Genzer, Esq.
LeBoeuf, Lamb, Greene & MacRae
One Riverfront Plaza
Newark, NJ 07102

Debra Robinson, Esq.
Division of the Ratepayer Advocate
31 Clinton Street, 11th fl.
P.O. Box 46005
Newark, NJ 07101

Dr. Fred Grygiel, Chief Economist
Michael Gallagher, Director
Dante Mugrace, Chief
Edward Hiott, Accountant II
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102